

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2018/ 2019

BEM7064 – ECONOMICS FOR MANAGERS

(All Sections/ Groups)

23 MAY 2019
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **EIGHT (8)** printed pages, of **TWO (2)** sections, **SECTION A** and **SECTION B** (including the cover page).
2. There are **THREE (3)** microeconomics questions in **Section A** and **ONE (1)** macroeconomics question in **Section B**.
3. Answer **ALL** questions. The marks distributions are given in parentheses.
4. Write all your answers in the Answer Booklet provided.

SECTION A: MICROECONOMICS (60 MARKS)**QUESTION 1 (20 marks)**

Read **Passage 1** and answer the following questions.

Passage 1**Malaysia's healthcare industry to grow to RM80b by 2020 — Frost & Sullivan**

Emir Zainul/ theedgemarkets.com
March 01, 2018 19:00 pm +08

SHAH ALAM (March 1): The total healthcare industry spending in Malaysia, which stood at RM52 billion at end-2017, is expected to reach about RM80 billion by 2020, fuelled by increasing demand for healthcare services, and emergence of new care models beyond traditional hospital settings, according to business consulting firm Frost & Sullivan. Increased consumer sophistication in relation to healthcare related technologies also helps, it said.

However, Frost & Sullivan partner Rhenu Bhuller said rapid development in technology presents both challenges and opportunities to industry players, including pharmaceuticals, diagnostics, medical technology manufacturers, digital health vendors and healthcare service providers.

"At this point, healthcare companies have to have a technology strategy. Some areas of investment they can consider are supplement technology to support their resources to do things more efficiently, investment on human resources to train employees to work with the new technologies and also investments in reaching out to consumers," she said at a briefing today.

"On a purely revenue standpoint, we still see the pharmaceutical and biotechnology industry to be the largest, followed closely by medical devices and then patient monitoring," said industry manager for the Frost & Sullivan Transformational Health practice, Natasha Gulati.

Frost & Sullivan yesterday presented its top predictions of disruptions that will dramatically change the healthcare industry in Asia Pacific including Malaysia for 2018.

On medical tourism, Gulati said India and China are two key markets to capture as a significant number of outbound patients are expected to come from these countries in 2018. "We expect about 2 million travellers coming out of India and China to other parts of the world, including to Malaysia, to seek medical treatments," she said, adding that the Malaysian government's allocated fund to develop medical tourism in its 2018 budget is a good support for growth.

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Another advantage for the Malaysian market is its fast adoption of e-commerce by businesses as compared to its peers in the region. This, Gulati noted, is a potential area that could be capitalised by distributors of healthcare consumable products.

"Malaysia is actually very well-positioned to develop markets like e-commerce, including e-commerce platforms for healthcare," she said.

She also noted consumerism as a major disruptor in the healthcare industry in Malaysia, where Malaysian consumers' demands are seen to be driving a lot of technology innovations on the service front.

Healthcare service providers are expected to adapt to these demands to avoid losing out as Malaysian consumers are becoming more aware of their priorities, she said.

"So, as more of this consumerism pushes through in healthcare, we expect more data and information to be accessible to consumers so that they can make better decisions on where they want to be treated, how they want to be treated, and even by whom they want to be treated. We are seeing this kind of democratisation coming to the market very fast," Gulati added.

Source: <https://www.theedgemarkets.com/article/malaysias-healthcare-industry-grow-rm80b-2020-%E2%80%94-frost-sullivan>

Questions:

- (a) Discuss any **two (2)** determinants affecting the demand curve of the healthcare industry in Malaysia. (4 marks)
- (b) Discuss any **two (2)** determinants affecting the supply curve of the healthcare industry in Malaysia. (4 marks)
- (c) Discuss the areas of investment the healthcare providers in Malaysia needed to emphasise in response to the increasing demand for healthcare services. (4 marks)
- (d) Suppose that the demand and supply of healthcare services is in equilibrium. Explain, with appropriate diagram, the effect of "increasing demand for healthcare services, and emergence of new care models beyond traditional hospital settings" on the Malaysia market for healthcare services. (4 marks)
- (e) Elaborate the implications of "we expect about 2 million travelers coming out of India and China to other parts of the world, including to Malaysia, to seek medical treatments" in 2018. (4 marks)

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QUESTION 2 (20 marks)

Read **Passage 2** and answer the following questions.

Passage 2**Can sugar tax stop us from getting fatter?**

By Datuk Dr Paul Selva Raj - January 21, 2019 @ 11:08pm

THERE are about three million obese Malaysians. There are also about five million individuals who suffer from diabetes.

Malaysia is ranked sixth in the Asia Pacific for obesity and tops the list in Southeast Asia for obesity and diabetes.

To address this issue, the government will impose a sugar tax to reduce sugar consumption.

The Federation of Malaysian Consumers Associations (Fomca) supports the move. Yet, tax alone will not change eating behaviours. The World Health Organisation (WHO) has been promoting taxes on sugary drinks as over-consumption of sugar contributes to obesity, diabetes and tooth decay.

Sugary drinks are a major source of sugar in the diet, and its consumption is increasing in most countries, especially among children and adolescents.

According to WHO, taxes on sugary drinks reduce consumption and prevent obesity.

Source: <https://www.nst.com.my/opinion/letters/2019/01/453017/can-sugar-tax-stop-us-getting-fatter>

Questions:

- (a) Malaysia is ranked sixth in the Asia Pacific for obesity and tops the list in Southeast Asia for obesity and diabetes. To address this issue, the government imposes a sugar tax to reduce sugar consumption. If the demand curve for sugary drink is inelastic, who (consumers, or producers) will bear the sugar tax? Using demand and supply diagram, illustrate how the consumers and producers are affected by the sugary tax. (10 marks)
- (b) Since the sugar is the basic input for sugary drink manufacturers, if manufacturers choose not to change the sugar content of their products, explain the impact of the sugar tax on the cost curves and profit of the firms. Use suitable diagram. (10 marks)

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QUESTION 3 (20 marks)

Read **Passage 3** and answer the following questions.

Passage 3**Maxis' new strategy aims for service revenue to hit RM10b by 2023**

theedgemarkets.com/ theedgemarkets.com
February 15, 2019 13:51 pm +08

KUALA LUMPUR (Feb 15): Maxis Bhd's fourth-quarter net profit halved from a year ago, impacted by one-off costs associated with the launch of a new strategy to become a converged communications and digital services company in both the fixed and mobile markets.

Maxis said while these one-off costs had impacted its earnings for the three months ended Dec 31, 2018 (4QFY18), they are important to support its new growth strategy that will set the foundation for the group to become a strong converged player in Malaysia.

The new strategy aims at broadening the group's revenue base to deliver internal service revenue target in excess of RM10 billion by 2023, it added.

"The group has commenced scaling its business to address opportunities in enterprise solutions and converged services across all segments, setting the development path over the next five years," Maxis said in a statement today.

On prospects, Maxis chief operating officer Gökhan Ogut said the challenging times will continue as competition remains intense.

"We are responding well to rapid changes in the market and customer behaviours. We want to continue to lead the market, competing effectively in our core mobile business and expanding into converged offerings and the enterprise segment," he said.

"The foundation of our growth continues to be our differentiated 4G LTE network, in which we amplified our leadership among all networks in Malaysia in terms of speed, performance and experience, as attested by the Malaysian Communications and Multimedia Commission's recent 2018 Network Performance Report.

Source: <https://www.theedgemarkets.com/article/maxis-new-strategy-aims-service-revenue-hit-rm10b-2023>

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Questions:

- (a) Analyse the type of market structure that the Malaysian telecommunication industry belongs to. Give **THREE** key market structure variables to support your analysis. (8 marks)
- (b) Analyse the behaviour of the Malaysian telecommunication industry in the short-run and long-run. (4 marks)
- (c) Discuss why product differentiation is an important feature in telecommunication industry. Specifically, what is the effect of increased differentiation on the profitability of the firms in the market? (8 marks)

SECTION B: MACROECONOMICS (40 MARKS)**QUESTION 1 (40 marks)**

Read **Passage 4** and answer the following questions.

Passage 4**China's economy grew 6.6% in 2018, the lowest pace in 28 years**

PUBLISHED SUN, JAN 20 2019 • 8:39 PM EST
UPDATED MON, JAN 21 2019 • 6:10 AM EST
Huileng Tan@HUILENG_TAN

China on Monday announced that its official economic growth came in at 6.6 percent in 2018 — the slowest pace since 1990.

That announcement was highly anticipated by many around the world amid Beijing's ongoing trade dispute with the U.S., its largest trading partner.

Economists polled by Reuters had predicted full-year GDP to come in at that pace, which was down from a revised 6.8 percent in 2017.

Fourth quarter GDP growth was 6.4 percent, matching expectations. That was a decline from the 6.5 percent year-over-year growth in the third quarter of 2018.

Although Beijing's official GDP figures are tracked as an indicator of the health of the world's second-largest economy, many outside experts have long expressed skepticism about the veracity of China's reports.

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“The official GDP figures have been too stable in recent years to be a good guide to China’s economic performance,” said Julian Evans-Pritchard, senior China economist at Capital Economics, a research house.

“But for what it’s worth, the headline breakdown suggests that service sector activity strengthened slightly last quarter,” he added.

Chinese statistics bureau chief Ning Jizhe told reporters on Monday that his country’s trade dispute with the U.S. has affected the domestic economy, but the impact was manageable, Reuters reported. He said China’s economy has shown a slowing but stabilizing trend in the last two months, and that it was still driven overall by domestic demand.

Even before increased trade tensions with the U.S., China was already trying to manage a slowdown in its economy.

Beijing is trying to balance a crackdown on high debt levels while also maintaining economic growth. While reducing reliance on debt would benefit the economy in the long run, it likely means a far slower pace of growth than the country has seen in recent years.

Nevertheless, economic data from China are being closely watched for signs of damage inflicted by the trade war with Washington.

While official data indicated China’s economy held up for much of last year, it now appears to be slowing. Production metrics and export orders are falling as the country’s trade dispute with the U.S. drags on and other factors weigh on growth.

Both sides have been trying to negotiate a deal.

China has offered a six-year boost in imports during its ongoing talks with the U.S., officials familiar with the matter told CNBC last week.

China pegged its proposal to buy more U.S. goods through 2024 to President Donald Trump’s hopes of being re-elected in 2020, the sources told CNBC.

China’s top trade negotiator, Vice Premier Liu He, will visit Washington, D.C., on Jan. 30 for two days of talks with U.S. trade representative Robert Lighthizer.

China to boost economy through policies

Acknowledging that China’s development faces a more complicated and difficult external environment in 2019, the country’s statistics bureau chief Ning said there is still ample ability to institute new support, Reuters reported.

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Analysts are expecting Beijing to roll out further stimulus in the month ahead.

Tao Wang, UBS Investment Bank's Asia economics head and chief China economist, said she expected Beijing to roll out further cuts to the reserve requirement ratio — the amount of cash that banks have to hold as reserves.

Together with other policy tweaks such as tax cuts and infrastructure spending, China's growth can be stabilized so that the economy achieves a "soft landing," Wang told CNBC. UBS forecast China's GDP growth to be 6.1 percent in 2019.

—CNBC's Kayla Tausche and Michael Sheetz and Reuters contributed to this report.

Source: <https://www.cnbc.com/2019/01/21/china-2018-gdp-china-reports-economic-growth-for-fourth-quarter-year.html>

Questions:

- (a) Elaborate **TWO** reasons of "China's economy grew 6.6% in 2018, the lowest pace in 28 years". (6 marks)
- (b) Explain, with appropriate graphical illustrations of the money market, demand for investment, and aggregate demand, the effect of the China's easing monetary policy (cut in reserve requirement ratio) on the China economy. (16 marks)
- (c) Apart from sustainable economic growth, explain **TWO** economic goals the economists used to evaluate the success of an economy's overall performance. (4 marks)
- (d) Instead of using monetary policy, discuss two instruments of fiscal policies in which the policymakers can consider to affect the pace and direction of economic activity. (6 marks)
- (e) "China's top trade negotiator, Vice Premier Liu He, will visit Washington, D.C., on Jan. 30 for two days of talks with U.S. trade representative Robert Lighthizer". Use the Aggregate Demand-Aggregate Supply (AD-AS) model to justify how the stated visit may affect the China economy. (8 marks)

End of Paper

